

North Dakota State Water Commission Cost Share

Cost-Share Policy Outline	Description of Changes	Current Policy (2/26/2013)				Proposed (as of 3/31/2014)			
		Planning/ Feasibility	Design Eng	Const Eng	Const	Prelim Eng	Design Eng	Const Eng	Const
I. Definitions and Eligibility	Cost-Share defined as a grant or a loan. Engineer services defined relating to pre-construction and construction. Programs defined as typically associated with federal initiatives.					Provides overall guidance and consistency with cost-share			
II. Cost-Share Application and Approval Procedures	Increased Chief Engineer's authority to approve cost-share and overruns.	Up to \$50,000				Up to \$75,000			
	Cost-share exceeding \$100M, additional information requested by the State Water Commission will be used to determine cost-share.					\$100,000,000			
III. Cost-Share Categories									
A. Pre-Construction Expenses	Development of feasibility studies, mapping, and engineering designs.	up to 50%	0%	NA		up to 35%		NA	
B. Water Supply Projects									
1. Water Supply Project (state funding- adds loan funding for all categories, allows combination of grant and loan up to 80%)	Addresses a lack of water supply for domestic use or upgrades a water supply to Primary Safe Drinking Water Act standards.	Used MR&I policy				up to 35%		up to 60% grant or up to 80% grant and loan	
	Provides special consideration for improvements and expansions of a water supply system serving an area that has a 3-year average population growth in excess of 3% per year, as determined by the Chief Engineer.	No mention in policy				up to 35%		up to 60% grant or up to 80% grant and loan	
	Provides for water treatment improvements that address impacts from other State Water Commission projects. Grant funding to be determined based on level of impact by the State Water Commission project.	Primarily Devils Lake Impacts				Primarily Devils Lake Impacts			
	Provides special consideration for improvements in service areas where the anticipated cost per user each year (based on 5,000 gallons per month) divided by the average annual median income per user is in the top quartile of its peer group water systems (large city, small city, and regional) as determined by the Chief Engineer.	No mention in policy				Top 25% qualify for up to 80% loans			
	Addresses extraordinary repairs or replacement needs of a water supply system due to damages from a recent natural disaster.	Partially addressed for Missouri River intakes				up to 80% loans			
2. Municipal, Rural And Industrial Water Supply Program	Federal Funding - no changes	0%	up to 75%		0%	up to 75%			
3. Drought Disaster Livestock Water Supply Project Assist.	Program uses state funding in support of a federal initiative, program is defined in Administrative Code.	Implemented during droughts				Program mentioned in policy to be implemented during droughts			

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C. Flood Control Projects									
1. Flood Recovery Property Acquisition Grant Program	Flood damage has occurred and property needed for construction of flood protection. Established after 2011 floods.	up to 75%				up to 75%			
	Flood damage has occurred and property needed for conveyance. Established after 2011 floods.	up to 60%				up to 60%			
2. Flood Protection Program	Provide long term flood reduction benefits. (Needed for preventing future damage) Proposed policy allows SWC to lend portion of local share based on demonstrated financial need.	up to 50%	0%	up to 60%	up to 35%		up to 60%		
	Provide long term flood reduction benefits. (Needed for preventing future damage - Federal participation.) Proposed policy allows SWC to lend portion of local share based on demonstrated financial need.	up to 50%	0%	up to 50%	up to 35%		up to 50%		
3. FEMA Levee System Accreditation Program	Analysis is required for FEMA to accredit the levee system for flood insurance mapping purpose.	up to 60%		N/A	up to 60%		N/A		
4. Dam Safety and Emergency Action Plans	Addresses dam safety issues. Proposed policy allows SWC to lend portion of local share based on demonstrated financial need.	up to 50%	0%	up to 65%	up to 35%		up to 75%		
	Addresses dam safety issues and involved federal funding. Proposed policy allows SWC to lend portion of local share based on demonstrated financial need.	up to 50%	0%	up to 50%	up to 35%		up to 75%		
	Emergency Action Plans for high or medium/significant hazard dam. Dam break model only on high hazard.	Up to 80%			Up to 80%				
		\$25,000 cap			cap removed				
5. Water Retention Projects	No Federal participation.	up to 50%	0%	Up to 65%	up to 35%		up to 60%, expanded to include property		
	Federal participation.	up to 50%	0%	Up to 65%	up to 35%		up to 50%, expanded to include property		
6. Snagging and Clearing Projects	Snagging and clearing on watercourses.	up to 50%	0%	Up to 50%	up to 35%		up to 50%		
D. Rural Flood Control Projects									
1. Drains, Channels, or Diversion Projects	Cost-share for drains, channels, or diversion projects.	up to 50%	0%	up to 45%	up to 35%		up to 45%		
		\$500,000 per biennium cap			biennium cap removed				
2. Individual Ring Dike Program	Cost-share up to \$40,000 per individual ring dike, NRCS and SWC funding capped at 80% of total project costs.	up to 50%	0%	up to 60%	up to 35%		up to 60%		
E. Recreation	Water based recreation, typically associated with dams.	up to 50%	0%	up to 40%	up to 35%		up to 40%		
F. Irrigation	Costs associated with principal supply works.	up to 50%	0%	up to 50%	up to 35%		up to 50%		
G. Bank Stabilization	Protects public infrastructure or facilities.	up to 50%	0%	up to 60%	up to 35%		up to 50%		

Notes: Language in blue reflects commission discussion from March 17, 2014 and earlier meetings. Language in green reflects additional language that the staff is suggesting be addressed. There are other minor changes to have consistent use of terms that are not highlighted; one example is “Local Sponsor” is now used in place of “Sponsoring Entity”, “Project Sponsor”, “Eligible Applicant”, and “Applicant”. “Cost-Share” is defined as the state water commission funding, and “local cost-share” is changed to “local share.” Also if portions of a paragraph were moved within the same paragraph, that change in location is not noted.

## NORTH DAKOTA STATE WATER COMMISSION

### COST-SHARE POLICY, PROCEDURE, AND GENERAL REQUIREMENTS

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The State Water Commission has adopted this policy to support local sponsors in development of sustainable water related projects in North Dakota. This policy reflects the State Water Commission’s cost-share priorities and provides basic requirements for all projects considered for prioritization during the agency’s budgeting process. Projects and studies that receive cost-share funding from the agency’s appropriated funds are consistent with the public interest. The State Water Commission values and relies on local sponsors and their participation to assure on-the-ground support for projects and prudent expenditure of funding for evaluations and project construction. It is the policy of the State Water Commission that only the items described in this document will be eligible for cost-share upon approval by the State Water Commission, unless specifically authorized by State Water Commission action.

#### I. DEFINITIONS AND ELIGIBILITY

- A. **CONSTRUCTION COSTS** include earthwork, concrete, mobilization and demobilization, dewatering, materials, seeding, rip-rap, re-routing electrical transmission lines, moving storm and sanitary sewer system and other underground utilities and conveyance systems affected by construction, mitigation required by law related to the construction contract, irrigation supply works, and other items and services provided by the contractor. Construction costs are only eligible for cost-share if incurred after State Water Commission approval and if the local sponsor has complied with North Dakota Century Code (N.D.C.C.) in soliciting and awarding bids and contracts, and complied with all applicable federal, state, and local laws.
- B. **COST-SHARE** is grant or loan funds provided through the State Water Commission.
- C. **ENGINEERING SERVICES** include pre-construction and construction engineering. Pre-construction engineering is the engineering necessary to develop plans and specifications for permitting and construction of a project including

preliminary and final design, material testing, flood insurance studies, hydraulic models, and geotechnical investigations. Construction engineering is the engineering necessary to build the project designed in the pre-construction phase including construction contract management, and project inspection. Administrative services and support services performed and charged by engineering companies are not engineering services. Engineering services are eligible costs if incurred after State Water Commission approval. If cost-share is expected to be greater than \$25,000, the local sponsor must follow the engineering selection process in NDCC 54-44.7 and provide a copy of the selection committee report to the Chief Engineer. The local sponsor will be considered to have complied with this requirement if they have completed this selection process for a general engineering services agreement at least once every three years and have formally assigned work to a firm or firms under an agreement. The local sponsor must inform the Chief Engineer of any change in the provider of general engineering services.

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**Comment [1]:** Moved cultural and archeological studies to page 6 under pre-construction activities.

- D. IMPROVEMENTS** are construction related projects that upgrade a facility to provide increased efficiency or capacity. Improvements do not include any activities that are maintenance, replacement, or reconstruction.
- E. INELIGIBLE ITEMS** excluded from cost-share include:
- 1 Administrative, easement, and permit related costs;
  - 2 Property acquisitions, property surveys, and legal expenses unless specifically identified as eligible within the Flood Recovery Property Acquisition Program, the Flood Protection Program, or the Water Retention Projects;
  - 3 Work and costs incurred prior to a cost-share approval date, except for emergencies as determined by the Chief Engineer;
  - 4 Project related operation, maintenance, replacement, and reconstruction costs;
  - 5 Funding contributions provided by federal, other state, or other North Dakota state entities that supplant costs;
  - 6 Work incurred outside the scope of the approved study or project.
- F. EXPANSIONS** are construction related projects that increase the project area or users served. Expansions do not include maintenance, replacement, or reconstruction activities.
- G. LOCAL SPONSOR** is the entity submitting a cost-share application and must be a political subdivision, state entity, or commission legislatively granted North Dakota recognition that applies the necessary local share of funding to match State Water Commission cost-share. They provide direction for studies and projects, public point of contact for communication on public benefits and local concerns, and acquire necessary permits and rights-of-way.
- H. MAINTENANCE COSTS** include repairs, deferred repairs, and general upkeep of facilities to allow facilities to continue proper operation and function.

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**Comment [2]:** Deleted federal

- I. **PROGRAM** is a subcategory of cost-share that is typically associated with a federal initiative and may cover all phases of a study or implementation of a project.
- J. **PROJECT** is the water-related construction activity.
- K. **REPLACEMENT AND RECONSTRUCTION COSTS** include the removal of portions of facilities or components that have completed their useful life and substitution with different components to obtain the same or similar function of the original facilities or components.
- L. **SUSTAINABLE OPERATION, MAINTENANCE, AND REPLACEMENT PLAN** is a description of the anticipated operation, maintenance, and replacement costs with a statement that the operation, maintenance, and replacement of the project will be sustainable by the local sponsor.

**II. COST-SHARE APPLICATION AND APPROVAL PROCEDURES.** The State Water Commission will not consider any cost-share applications for water related projects or studies unless the local sponsor first makes an application to the Chief Engineer. No funds will be used in violation of Article X, § 18 of the North Dakota Constitution (Anti-Gift Clause).

**A. APPLICATION REQUIRED.** An application for cost-share is required in all cases and must be submitted by the local sponsor on the State Water Commission Cost-Share Application form. Applications for cost-share are accepted at any time. Applications received less than 30 days before a State Water Commission meeting will not be considered at that meeting and will be held for consideration at a future meeting. The application form is maintained and updated by the Chief Engineer and must include the following:

- 1 Category of cost-share activity
- 2 Location of the proposed project or study area
- 3 Description, purpose, goal, objective, narrative of the proposed activities
- 4 Delineation of costs
- 5 Potential federal, other state, or other North Dakota state entity participation
- 6 [Engineering plans](#), if applicable
- 7 Status of required permitting
- 8 Potential territorial service area conflicts [or service area agreements](#), if applicable
- 9 Sustainable operation, maintenance, and replacement plan for projects
- 10 Additional information as deemed appropriate by the Chief Engineer

Applications for cost-share are separate and distinct from the State Water Commission biennial project information collection effort that is part of the budgeting process. All local sponsors are encouraged to submit project and study financial needs during the budgeting process. Projects and studies not submitted as part of the project information collection effort may be held until action can be taken on those that were included during budgeting, unless determined to be an emergency that directly impacts human health and safety or that are a direct result of a natural disaster.

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**Deleted:** Preliminary designs

**B. PRE-APPLICATION.** A pre-application process is allowed for cost-share of assessment projects. This process will require the local sponsor to submit a brief narrative of the project, preliminary designs, and a delineation of costs. The Chief Engineer will then review the material presented, make a determination of project eligibility, and estimate the cost-share funding the project may anticipate receiving. A project eligibility letter will then be sent to the local sponsor noting the percent of cost-share assistance that may be expected on eligible items as well as listing those items that are not considered to be eligible costs. In addition, the project eligibility letter will state that the Chief Engineer will recommend approval when all cost-share requirements are addressed. The local sponsor may use the project eligibility letter to develop a project budget for use in the assessment voting process. Upon completion of the assessment vote and all other requirements an application for cost-share can be submitted.

**C. REVIEW.** Upon receiving an application for cost-share, the Chief Engineer will review the application and accompanying information. If the Chief Engineer is satisfied that the proposal meets all requirements, the Chief Engineer will present the application along with a recommendation to the State Water Commission for its action. The Chief Engineer's review of the application will include the following items and any other considerations that the Chief Engineer deems necessary and appropriate. **For cost-share applications over \$100 million, additional information requested by the State Water Commission will be used to determine cost-share.**

- 1 Applicable engineering plans;
- 2 Field inspection, if deemed necessary by the Chief Engineer;
- 3 The percent and limit of proposed cost-share determined by category of cost-share activity and eligible expenses;
- 4 Assurance of sustainable operation, maintenance, and replacement of project facilities by the local sponsor;
- 5 Status of permitting and service area agreements;
- 6 Available funding in the State Water Commission budget and budget priorities.

The Chief Engineer is authorized to approve cost-share up to **\$75,000 in state funds** and also approve cost overruns up to **\$75,000 in state funds** without State Water Commission action.

**D. NOTICE.** The Chief Engineer will give notice to local sponsors when their application for cost-share is placed on the tentative agenda of the State Water Commission's next meeting.

**E. AGREEMENT AND DISTRIBUTION OF FUNDS.** No funds will be disbursed until the State Water Commission and local sponsor have entered into an agreement for cost-share participation. No agreement will be entered until all required State Engineer permits have been acquired.

For construction projects, the agreement will **address indemnification and vicarious liability language.** The local sponsor must require that the local sponsor and the state be made an additional insured on the contractor's commercial general liability policy including any excess policies, to the extent applicable. The levels and types of

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**Deleted:** specify that the local sponsor must

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**Deleted:** require all project contractors and service providers to agree to defend, indemnify and hold harmless the local sponsor and state from any and all vicarious and other derivative claims that arise out of the contractor's performance under the agreement, except for claims based upon the local sponsor or state's own direct active acts of negligence or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions.

insurance required in any contract must be reviewed and agreed to by the Chief Engineer. The local sponsor may not agree to any provision that indemnifies or limits the liability of a contractor.

For any property acquisition, the agreement will specify that if the property is later sold, the local sponsor is required to reimburse the Commission the percent of sale price equal to the percent of original cost-share.

The Chief Engineer may make partial payment of cost-sharing funds as deemed appropriate. Upon notice by the local sponsor that all work or construction has been completed, the Chief Engineer may conduct a final field inspection. If the Chief Engineer is satisfied that the work has been completed in accordance with the agreement, the final payment will be disbursed to the local sponsor, less any partial payment previously made.

- F. LITIGATION.** If a project submitted for cost-share is the subject of litigation, the application may be deferred until the litigation is resolved. If a project approved for cost-share becomes the subject of litigation before all funds have been disbursed, the Chief Engineer may withhold funds until the litigation is resolved. Litigation for this policy is defined as legal action that would materially affect the ability of the local sponsor to construct the project; that would delay construction such that the authorized funds could not be spent; or is between political subdivisions related to the project.

**III. COST-SHARE CATEGORIES.** The State Water Commission supports the following categories of projects and studies for cost-share. Generally, engineering expenses are cost-shared as follows: Pre-construction expenses and pre-construction engineering approved by the State Water Commission are cost-shared up to 35 percent. Engineering expenses related to construction are cost-shared at the same percent as the construction costs when approved by the State Water Commission.

- A. PRE-CONSTRUCTION EXPENSES.** The State Water Commission supports local sponsor development of feasibility studies, engineering designs, and mapping as part of pre-construction activities to develop support for projects within this cost-share policy including:
- 1 Feasibility studies to identify water related problems, evaluate options to solve or alleviate the problems based on technical and financial feasibility, and provide recommendation and cost estimate, of the best option to pursue.
  - 2 Engineering design to develop plans and specifications for permitting and construction of a project, including associated cultural resource and archeological studies.
  - 3 Mapping and surveying to gather data for a specific task such as flood insurance studies and flood plain mapping, LiDAR acquisition, and flood imagery attainment, which are valuable to managing water resources.

Copies of the deliverables must be provided to the Chief Engineer upon completion. The Chief Engineer will determine the payment schedule and interim progress report requirements.

## B. WATER SUPPLY

1 **WATER SUPPLY PROJECT.** The State Water Commission supports water supply efforts and will use a grant and loan program. The local sponsor may apply for water supply funding, and the application will be reviewed to determine project **priority**. Projects **will be prioritized** within categories (1) thru (5) below. Projects within categories (1) and (2) may be considered for grant funding of up to 60 percent cost-share. **Grant funding within category (3) will be on a case-by-case basis.** Projects within categories (1) through (5) may be considered for loan funding. **After cost-share for grant funding has been determined, the local sponsor may be considered for loan funding in addition to the grant funding. The combination of grant and loan funding will not exceed 80 percent from the State Water Commission.**

- (1) Addresses a lack of water supply for domestic use or upgrades a water supply to primary safe drinking water act standards.
- (2) Supports **improvements and** expansions of a water supply system serving an area that has a 3-year average population growth in excess of 3% per year, as determined by the Chief Engineer
- (3) Water treatment improvements that address impacts from other State Water Commission projects. Grant funding to be determined based on level of impact by State Water Commission project.
- (4) Assists with improvements in service areas where the anticipated cost per user each year (based on 5,000 gallons per month) divided by the average annual median income per user is in the top quartile of **its peer group** water systems in the state (**large city, small city, and regional**) as determined by the Chief Engineer.
- (5) Addresses extraordinary repairs or replacement needs of a water supply system due to damages from a recent natural disaster.

**Debt per capita, either actual or anticipated, may be used as an additional determinant of financial need.**

The State Water Commission will periodically set the interest rate on the loan program, taking into consideration other loan programs. If ability to pay for the local share is a concern, the Chief Engineer may provide a recommendation for public finance options **or loan funding.**

Water Depots for industrial use receiving water from facilities constructed using State Water Commission funding or loans have the following additional requirements:

- a) Domestic water supply has priority over industrial water supply in times of shortage. This must be explicit in the water service contracts with industrial users.

- b) If water service will be contracted, public notice of availability of water service contracts is required **when the depot becomes operational**.
- c) A portion of the water supply at any depot must be available on a non-contracted basis for public access.

**2 MUNICIPAL, RURAL, AND INDUSTRIAL WATER SUPPLY PROGRAM.** The Municipal, Rural, and Industrial Water Supply Program, **which uses federal funds**, is administered according to North Dakota Administrative Code Article 89-12.

**3 DROUGHT DISASTER LIVESTOCK WATER SUPPLY PROJECT ASSISTANCE PROGRAM.** This program is to provide assistance with water supply for livestock impacted during drought declarations and is administered according to North Dakota Administrative Code Article 89-11.

**C. FLOOD CONTROL.** The State Water Commission may provide cost-share for eligible items of flood control projects protecting communities from flooding and may include the repair of dams that provide a flood control benefit.

**1 FLOOD RECOVERY PROPERTY ACQUISITION GRANT PROGRAM.** This program is used to assist local sponsors with flood recovery expenses that provide long term flood damage reduction benefits through purchase and removal of structures **in areas where flood damage has occurred**. All contracted costs directly associated with the acquisition will be considered eligible for cost-share. Contracted costs may include: appraisals, legal fees (title and abstract search or update, etc.), property survey, closing costs, hazardous materials abatement needs (asbestos, lead paint, etc.), and site restoration.

The State Water Commission may provide cost-share of the eligible costs of approved flood recovery expenses that provide long term flood reduction benefits based on the following criteria and priority order:

- a) Local Sponsor has flood damage and property may be needed for construction of temporary or long-term flood control projects, may be cost-shared up to 75 percent.
- b) Local Sponsor has flood damage and property would increase conveyance or provide other flood control benefits, may be cost-shared up to 60 percent.

Prior to applying for assistance, the local sponsor must adopt and provide to the Chief Engineer an acquisition plan (similar to plans required by Hazard Mitigation Grant Program (HMGP)) that includes the description and map of properties to be acquired, the estimated cost of property acquisition including contract costs, removal of structures, the benefit of acquiring the properties, and information regarding the ineligibility for HMGP funding. Property eligible for HMGP funding is not eligible for this program. The acquisition plan must also include a description of how the local sponsor will insure there is not a duplication of benefits.

Over the long-term development of a flood control project following a voluntary acquisition program, the local sponsor's governing body must officially adopt a flood risk reduction plan or proposal including the flow to be mitigated. The flow used to develop the flood risk reduction plan must be included in zoning discussions to limit new development on other flood-prone property. An excerpt of the meeting minutes documenting the local sponsor's official action must be provided to the Chief Engineer.

Local sponsor must fund the local share for acquisitions; this requirement will not be waived. Federal funds are considered "local" for this program if they are entirely under the authority and control of the local sponsor.

The local sponsor must include a perpetual restrictive covenant similar to the restrictions required by the federal HMGP funding with the additional exceptions being that the property may be utilized for flood control structures and related infrastructure, paved surfaces, and bridges. These covenants must be recorded either in the deed or in a restrictive covenant that would apply to multiple deeds.

The local sponsor must provide justification, acceptable to the Chief Engineer, describing the property's ineligibility to receive federal HMGP funding. This is not meant to require submission and rejection by the federal government, but rather an explanation of why the property would not be eligible for federal funding. Example explanations include: permanent flood control structures may be built on the property; project will not achieve required benefit-cost analysis to support HMGP eligibility; or lack of available HMGP funding. If inability to receive federal funding is not shown to the satisfaction of the Chief Engineer, following consultation with the North Dakota Department of Emergency Services, the cost-share application will be returned to the local sponsor for submittal for federal funding prior to use of these funds.

- 2 **FLOOD PROTECTION PROGRAM.** This program supports local sponsor efforts to prevent future property damage due to flood events. The State Water Commission may provide cost-share grants for up to 60 percent of eligible costs. For projects with federal participation, the cost-share may be up to 50 percent of eligible costs.

Engineering design suitable for permitting by the State Engineer must be completed before any construction cost-share is approved. The cost-share application must include the return interval or design flow for which the structure will provide protection. Local share must be provided on a timely basis. The State Water Commission may lend a portion of the local share based on demonstrated financial need.

Property acquisition costs limited to the purchase price of the property that is not eligible for HMGP funding and within the footprint of a project may be eligible under this program. The local sponsor must include a perpetual restrictive covenant on any properties purchased under this program similar to the restrictions required by the federal HMGP funding with the additional exceptions being that the property may be utilized for flood control structures

and related infrastructure, paved surfaces, and bridges. These covenants must be recorded either in the deed or in a restrictive covenant that would apply to multiple deeds.

- 3 FEMA LEVEE SYSTEM ACCREDITATION PROGRAM.** The State Water Commission may provide cost-share up to 60 percent for eligible services for FEMA 44 CFR 65.10 flood control or reduction levee system certification analysis. The analysis is required for FEMA to accredit the levee system for flood insurance mapping purposes. Typical eligible costs include site visits and field surveys to include travel expenses, hydraulic evaluations, closure evaluations, geotechnical evaluations, embankment protection, soils investigations, interior drainage evaluations, internal drainage hydrology and hydraulic reports, system modifications, break-out flows and all other engineering services required by FEMA. The analysis will result in a comprehensive report to be submitted to FEMA and the Chief Engineer.

Administrative costs to gather existing information or to recreate required documents, maintenance and operations plans and updates, and emergency warning systems implementation are not eligible.

- 4 DAM SAFETY AND EMERGENCY ACTION PLANS.** The State Water Commission supports dam safety including repairs and removals, as well as emergency action plans. The State Water Commission may provide cost-share for up to 75 percent of the eligible items for dam safety repair projects and dam breach or removal projects. Dam safety repair projects that are funded with federal or other agency funds may be cost-shared up to 75 percent of the eligible non-matched costs. The intent of these projects is to return the dam to a state of being safe from the condition of failure, damage, error, accidents, harm or other events that are considered non-desirable. [The State Water Commission may lend a portion of the local share based on demonstrated financial need.](#)

The State Water Commission may provide cost-share up to 80 percent, for emergency action plans (EAPs) of each dam classified as high or medium significant hazard. The cost of a dam break model is only eligible for reimbursement for dams classified as a high hazard.

- 5 WATER RETENTION PROJECTS.** The goal of water retention projects is to reduce flood damages by storing floodwater upstream of areas prone to flood damage. The State Water Commission may provide cost-share up to 60 percent of eligible costs for flood retention projects [including purchase price of the property.](#) [For projects with federal participation, the cost-share may be up to 50 percent.](#) Water retention structures constructed with State Water Commission cost-share must meet state dam safety requirements, including the potential of cascade failure. A hydrologic analysis including the operation plan, quantifying the flood reduction benefits for 25, 50, and 100-year events must be submitted with the cost-share application.
- 6 SNAGGING AND CLEARING PROJECTS.** Snagging and clearing projects consist of the removal and disposal of fallen trees and associated debris encountered within or along the channel. Snagging and clearing projects are intended to

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prevent damage to structures such as bridges, and maintain the hydraulic capacity of the channel during flood flows. The State Water Commission may provide cost-share for up to 50 percent of the eligible items for snagging and clearing as well as any sediment that has accumulated in the immediate vicinity of snags and any trees in imminent danger of falling in the channel on watercourses as defined in N.D.C.C. § 61-01-06. Items that are not eligible include snagging and clearing of man-made channels; the dredging of watercourses for sediment removal; the clearing and grubbing of cattails and other plant vegetation; or the removal of any other unwanted materials.

**D. RURAL FLOOD CONTROL.** The primary purpose of rural flood control projects is to manage runoff or drainage from agricultural sources or to provide flood control in a rural setting. Typically, rural flood control projects consist of drains, channels, diversion ditches, or ring dikes. Items that are not eligible include projects that are managing runoff or drainage from residential or urban sources.

**1 DRAINS, CHANNELS, OR DIVERSION PROJECTS.** These projects are intended to improve the drainage and management of runoff from agricultural sources. The State Water Commission may provide cost-share up to 45 percent of the eligible items for the construction of drains, channels, or diversion ditches. Expansions and improvements may be cost-shared on the basis of increased drainage capacity achieved or increased area served. Construction costs for public road crossings that are integral to the project are eligible for cost-share as defined in N.D.C.C. § 61-21-31 and 61-21-32. If an assessment-based rural flood control project involves multiple districts, each district involved must join in the cost-share application.

Cost-share applications for rural assessment drains will only be processed after the assessment vote has passed, the final design is complete, and a drain permit has been obtained. If the local sponsor wishes to submit a cost-share application prior to completion of the aforementioned steps, a pre-application process will be followed.

**2 RING DIKE PROGRAM.** This program is intended to protect individual rural homes and farmsteads. All ring dikes within the program are subject to the Commission's Individual Rural and Farmstead Ring Dike Criteria provided in Attachment A. Cost-share is limited to \$40,000 per ring dike. Protection of a city, community or development area does not fall under this program, but may be eligible for the flood control program. The State Water Commission may provide up to 60 percent cost-share of eligible items for ring dikes.

Landowners enrolled in the Natural Resource Conservation Service's (NRCS) Environmental Quality Incentive Program (EQIP) who intend to construct rural or farmstead ring dikes that meet the State Water Commission's elevation design criteria are eligible for a cost-share reimbursement of 20 percent of the NRCS construction payment, limited to a combined NRCS and State Water Commission contribution of 80 percent of eligible project costs.

Administrator 2/26/14 8:59 AM

**Comment [3]:** Deleted \$500,000 cap per biennium

Administrator 2/25/14 10:52 AM

**Deleted:** County and township road crossing work that is an integral part of the drains, channels, and diversion ditches and the appropriate costs per the awarded contract bid are eligible for cost-share. The local sponsor applying for cost-share for a rural assessment-based flood control project must comply with the regulatory statutes of North Dakota Century Code.

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**Deleted:** , limited to a maximum cost-share of \$40,000

- E. **RECREATION.** The State Water Commission may provide cost-share up to 40 percent for projects intended to provide water-based recreation. Typical projects provide or complement water-based recreation associated with dams.
- F. **IRRIGATION.** The State Water Commission may provide cost-share for up to 50 percent of the eligible items for irrigation projects. The items eligible for cost-share are those associated with new central supply works, including water storage facilities, intake structures, wells, pumps, power units, primary water conveyance facilities, and electrical transmission and control facilities.
- G. **BANK STABILIZATION.** The State Water Commission may provide cost-share up to 50 percent of eligible items for bank stabilization projects on public lands or those lands under easement by federal, state, or political subdivisions. Bank stabilization projects are intended to stabilize the banks of lakes or watercourses, as defined in N.D.C.C § 61-01-06, with the purpose of protecting public facilities. Drop structures and outlets are not considered for funding as bank stabilization projects, but may be eligible under other cost-share program categories. Bank stabilization projects typically consist of a rock or vegetative design and are intended to prevent damage to public facilities including utilities, roads, or buildings adjacent to a lake or watercourse.





# NORTH DAKOTA INVESTING IN WATER SUPPLY Statewide

For decades, the State of North Dakota relied heavily on the federally funded Municipal, Rural, and Industrial (MR&I) Program to fund water supply projects statewide. But with a sharp decline in available federal funding, the state has since stepped up to fill that void – in a very big way.

## SWC Investment In Water Supply

With North Dakota becoming the nation’s second largest oil producing state, it has gained not only national, but international attention. And with that growth, there have indeed been challenges, but also tremendous benefits that no one could have ever imagined, not even a decade ago.

Some of the major benefactors of North Dakota’s success have been water supply projects – because of the state’s Resources Trust Fund (RTF). The RTF is funded with 20 percent of North Dakota’s revenues from the oil extraction tax. And a percentage of the RTF has been designated by the Legislature to be used for water-related projects.

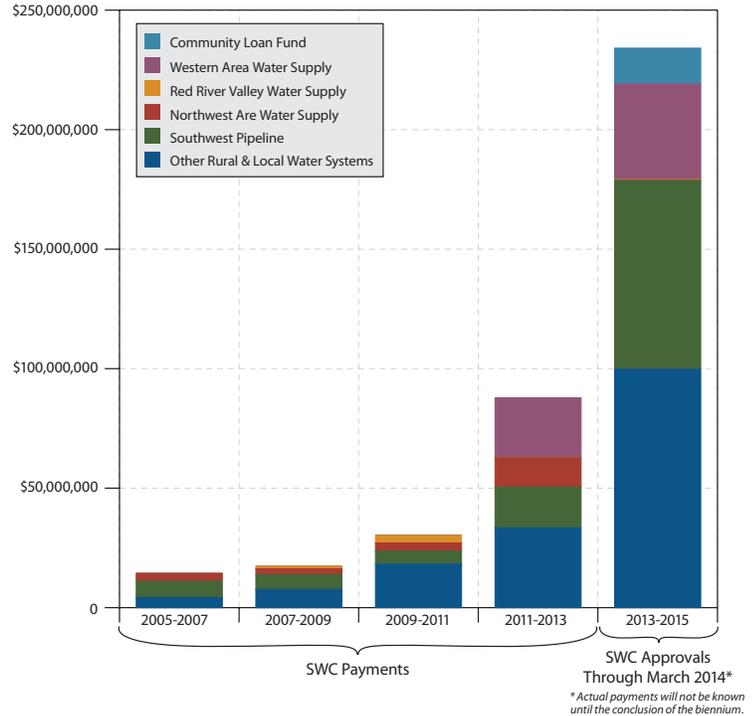
Back in the 2005-2007 biennium, the State Water Commission (SWC) only received about \$30 million in project dollars through the RTF. By the current 2013-2015 biennium, that number has now jumped to about \$560 million – available for water development efforts statewide.

The adjacent bar chart shows historic and current SWC investment in water supply infrastructure since the 2005-2007 biennium. From the \$14 million in payments directed toward water supply projects in 2005-2007, to the \$234 million in SWC approvals so far this biennium, it is clear that water supply has indeed become an increasingly high priority for North Dakota.

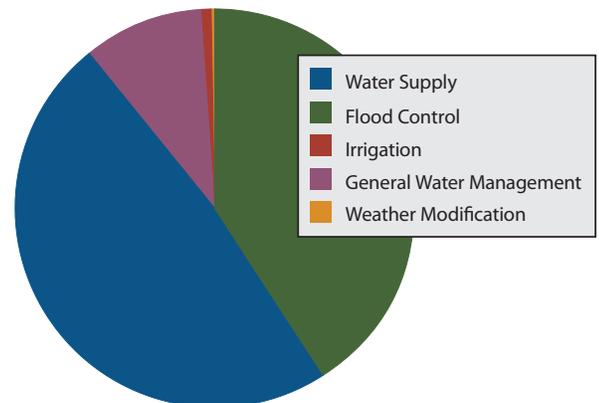
## Developing Water Supply Projects Statewide

With the lion’s share of the state’s water development dollars coming from oil producing counties in the western part of the state, North Dakota has recognized that to sustain growth, investments in infrastructure must be made to support that growth. As such, the state, through the SWC, has approved unprecedented levels of funding for water supply projects in that region. This includes grants and loans for large regional water supply projects like the Southwest Pipeline Project and Western Area Water Supply, and for

### State Water Commission Investment In Water Supply Infrastructure



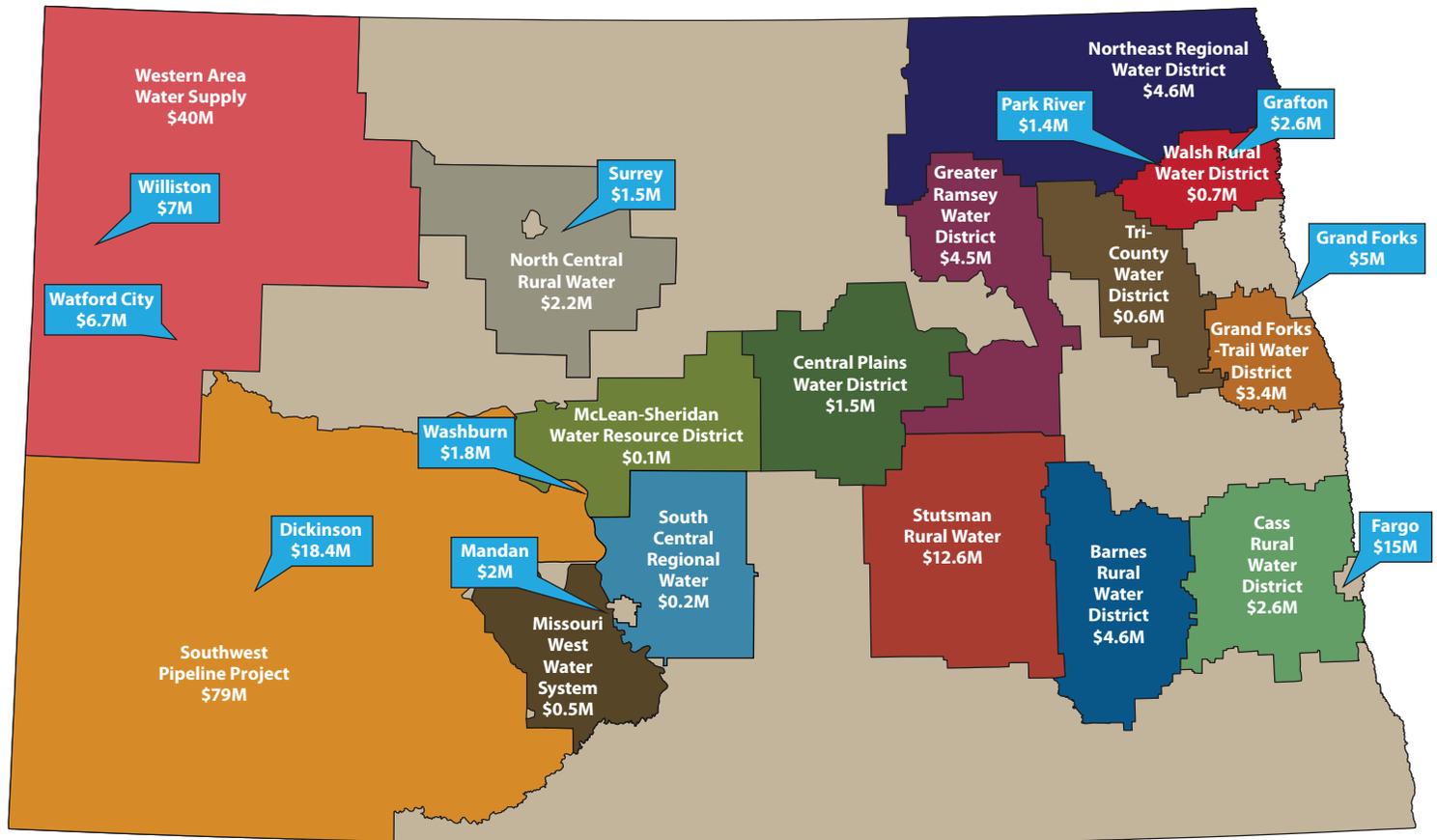
### 2013-2015 SWC Project Budget



When looking at the SWC’s current \$706 million project budget, \$341 million, or 48% of all water project dollars have been budgeted for water supply.



2013-2015 SWC Water Supply Project Approvals Through March 2014



The SWC also approved \$15 million for the Community Water Facility Revolving Loan Fund, and \$375,000 for a Red River Valley Water Supply Project study.

cities like Williston, Watford City, and Dickinson, that are very much feeling the crunch of dealing with challenges associated with current and projected water supply needs.

But it's not just in the oil-producing region of the state where investments in water supply projects are being made. Many other communities and rural water systems have also been approved for funding through the SWC to advance much-needed supply projects in all other corners of the state (see map).

**Looking To The Future**

As North Dakota's water managers look to the future, many significant water supply challenges lie ahead. These challenges include: developing a drought-resistant water supply system for the Red River Valley, with the Missouri River as a source; bringing water to citizens who currently don't have a clean and reliable source; and continued support of communities and rural areas that are experiencing incredible growth.

But in spite of those challenges - considering the state's current and recent support of water supply projects, and its commitment to other important priorities like flood protection for communities, the prospect of developing the state's water resources continues to look promising.

**POLICY**

**SWC Cost-Share Policy Changes**

A challenge for the agency, policy-makers, and lawmakers alike has been to equitably prioritize and distribute the state's major increase in available funding for water development projects. In response to that challenge, and in response to directives from the Legislature, the SWC moved forward with modifications to the agency's cost-share policy with three main goals in mind:

- 1) To support local sponsors with development of sustainable water projects;
- 2) To be more equitable between the broad spectrum of project types that are awarded funds from the SWC; and
- 3) To make the state's resources go further in more areas of the state.